

**[ An Economic Intelligence Report ]**

**[ *New investment at  
Sasol catalytic for  
emerging industrialists* ]**

**[ March 2018 ]**

[Sasol, as a key contributor to the manufacturing sector in the province, play an important role in empowering small businesses. This company is situated in the Fezile Dabi District Municipality. Sasol is an integrated energy and chemical company based in 1950 in Sasolburg and is the world's first oil-from-coal company.

This report is based on literature reviews providing support mechanisms for the development and growth of small businesses]

**[ Compiled by:  
Economic Research  
Directorate ]**

## DISCLAIMER

This report is compiled using available information from various sources.

Any views or opinions expressed in this report are not necessarily those of, nor endorsed by, the Department of Economic, Small Business Development, Tourism and Environmental Affairs. Information disclosed in this report may not be accurate, current or complete and the Department disclaims all liability in this regard.

The issue of the *Economic Intelligence Report* focuses mainly on the three months quarter ending *March 2018*.

Comments and enquiries relating to this *Report* are welcomed and should be addressed to:

Email: [jansena@destea.gov.za](mailto:jansena@destea.gov.za)

### **The report was compiled by:**

**Ms. P. Nthongoa**

**Assistant Director: Economic Research Directorate**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

### **Verified by:**

**Mr. A. Jansen**

**Deputy Director: Economic Research Directorate**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

### **Approved by:**

**Mr. J. Mosia**

**Director: Economic Research Directorate**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## **CONTENTS**

<b>1. INTRODUCTION .....</b>	<b>4</b>
<b>2. OPPORTUNITIES FOR EMERGING INDUSTRIALISTS .....</b>	<b>4</b>
<b>3. PROGRAMS DESIGNED TO EMPOWER SMALL BUSINESS .....</b>	<b>6</b>
3.1 Enterprise and Supplier Development Programme (ESD) .....	6
3.2 Sasol Business Incubator (SBI) .....	6
3.3 Other support programs for SMMEs to take their business to new levels .....	8
<b>4. CONCLUSION .....</b>	<b>8</b>

## 1. INTRODUCTION

Small and Medium Enterprises (SMEs) have been identified as productive drivers of inclusive economic growth and development in South Africa and around the world. Some researchers have estimated that, in South Africa, small and medium-sized enterprises make up 91% of formalised businesses, provide employment to about 60% of the labour force and total economic output accounts for roughly 34% of GDP.<sup>1</sup>

In contributing significantly to the economy, SMEs in the process foster diversification through the development of new and unsaturated sectors of the economy. In addition, innovative and technology-based small and medium enterprises can provide a platform for local, regional and international growth, especially in Brazil, Russia, India, China, South Africa (BRICS) economies.<sup>2</sup>

The role that Small, Medium and Micro Enterprises (SMMEs) play as an important contributor to the provincial economy and as drivers for reducing unemployment is high on the agenda of the Free State provincial government.

It is commonly accepted that a large number, more than 50%, of SMMEs do not survive for more than three years. At the same time, the importance of SMMEs to the local economy is generally recognised both nationally and internationally. Therefore, a need exists for entrepreneurial support.<sup>3</sup>

All role-players, both public and private, have the responsibility to develop entrepreneurs in the most effective ways of stimulating economic growth, transformation and the creation of jobs in our communities.

This report in light of the above will look into the role that Sasol, as a key contributor of the manufacturing sector in the province, play in empowering small businesses. Sasol is situated in the Fezile Dabi District Municipality. Sasol is an international integrated energy and chemical company based in Sasolburg and is the world's first oil-from-coal company. The group has recently completed a wax expansion plant worth billions, which had opened opportunities for small businesses.

## 2. OPPORTUNITIES FOR EMERGING INDUSTRIALISTS

The Sasol group has recently completed a R13.6 billion Fischer-Tropsch Wax Expansion Project (FTWEP) in Sasolburg. Phase I of FTWEP was successfully commissioned in 2015 at its Sasolburg Operations. It was regarded as a significant milestone in demonstrating Sasol's commitment through industrial investment.

Phase 1 of the expansion of the wax facility created "31 million hours worked with an exceptional safety record". Mr. Stephan Schoeman, Executive Vice President, Group Technology, Sasol Limited further indicated that the project was resourced by

---

<sup>1</sup> <http://www.banking.org.za/what-we-do/sme/sme-enterprise>

<sup>2</sup> Ibid

<sup>3</sup> Free State Growth and Development Strategy (FSGDS)

450 engineers and with approximately 5 500 construction workers on site, they erected 7200 tons of steel and used nearly 600 kilometers of piping.<sup>4</sup>

Phase II of FTWEP was completed in 2017. The entire project resulted in an investment worth R13.6 billion in the national and provincial economies.

Sasol Performance Chemicals is one of the world leaders in the large scale commercial application of proprietary technology for the production of synthetic Fischer-Tropsch (FT) waxes.

These synthetic waxes are made in a controlled environment using carbon monoxide and hydrogen as feedstock, producing saturated, straight-chain hydrocarbons of consistently high purity and quality. The product range includes high-melt waxes used as performance additives in many specialty applications, and medium-melt waxes which are used in similar applications to paraffin waxes.

High-melt FT waxes ensure superior performance in applications such as hot melt adhesives (HMA), printing inks and coatings, bitumen modification, polymer processing and polishes and textiles.

Medium-melt FT waxes are typically used as alternatives to petroleum waxes and exhibit superior properties in a number of applications such as waterproofing of construction board.

Emerging industrialists thus have access to raw materials that can be used in the manufacturing of:

- Adhesives - adhesives which are intended to come into contact with food directly or indirectly.
- Asphalt Additives – for road construction
- Construction Board and Wood
- Inks and paints - in the manufacturing of surface treatment materials.
- Personal Care - for the Cosmetic and Pharmaceutical Industry
- Polymer Additives - for PVC processing
- Textile and Leather - wax emulsions are used by the textile industry in four main areas:
  - Waterproofing of textile substrates
  - Modifying the frictional properties of fibers, yarns and sewing threads to enhance processability
  - Enhancing the performance of finishing compounds such as softeners, silicones and resins
  - Providing superior fabric properties such as improved flex abrasion resistance, tear strength and sewability

A number of different types of white oils, petroleum jellies and waxes are used in the textile industry to improve the fabric tear strength, flex abrasion resistance, sewability, yarn knitability and the feel of the fabric.<sup>5</sup>

---

<sup>4</sup><http://www.sasol.co.za/media-centre/media-releases/sasol-s-wax-expansion-project-phase-i-successfully-commissioned>

<sup>5</sup> <http://www.sasolwax.com/products-applications/fischer-tropsch-wax0/construction-board-and-wood/>

The availability of these products creates opportunities for small business to excel in manufacturing and as such ensuring growth, employment, and poverty reduction.

### **3. PROGRAMS DESIGNED TO EMPOWER SMALL BUSINESS**

#### **3.1 Enterprise and Supplier Development Programme (ESD)**

The initiative was established to ensure focused and integrated delivery of Sasol's programs aimed at contributing to the development of the SMME sector and the diversification of suppliers on Sasol's database.

Sasol through this program nurture, grow and sustain SMMEs by providing technical and business development support, through mentoring and coaching. They also provide loan funding to qualifying SMME suppliers through the Sasol Siyakha Enterprise and Supplier Development Fund ("Sasol Siyakha Fund").

Viable enterprises as a result are created that can play meaningful economic roles in the communities Sasol operates in, such as to create jobs and particularly developing scarce skills.

#### **3.2 Sasol Business Incubator (SBI)**

SBI is located at the Eco-industrial Park in the industrial heart of Sasolburg and was developed through a public-private partnership (PPP) between Sasol and the Department of Trade and Industry (the dti) to accelerate the successful development primarily of local start-up small, medium and micro enterprises (SMMEs).

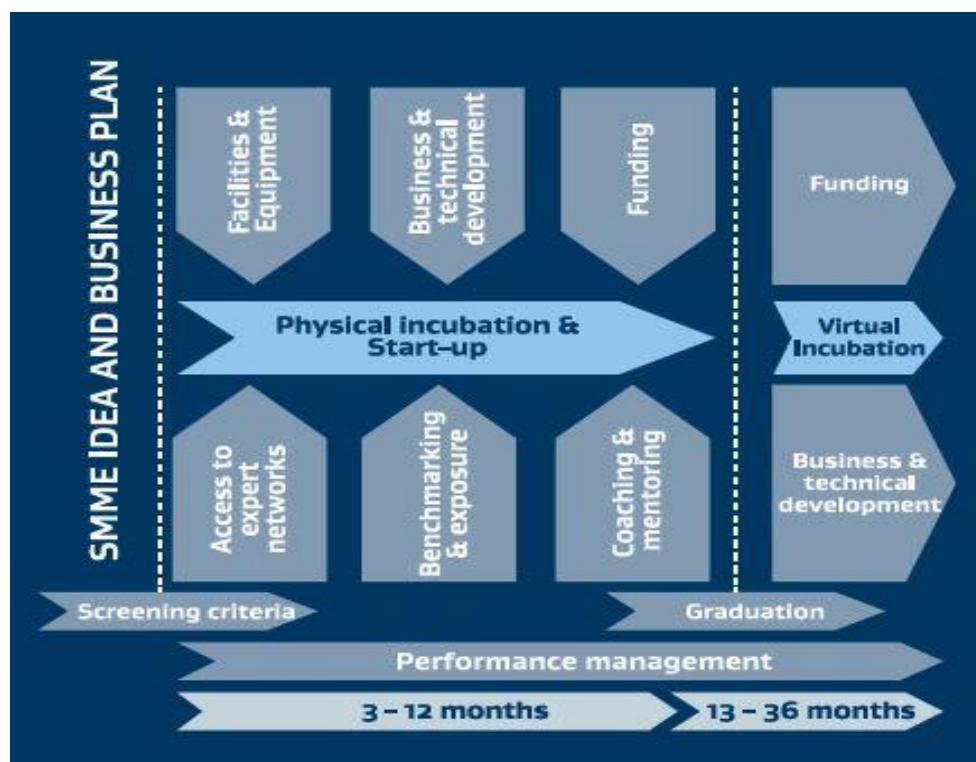


This R53 million facility is to promote the sustainability of start-up SMMEs by providing an array of business, technical and financial related support solutions together with fully equipped manufacturing facilities, essential business infrastructure and a network of experts and services.

Incubators consist primarily of a development programme and a range of business development services. These are basically advice and are categorised under the term 'virtual incubator'. A full-flowered incubator also offers a physical location and a geographical focal point for networking and specific area coverage in a convenient environment for doing business.

The incubation model (below) supports SMMEs in two distinct phases namely – physical and virtual. Physical incubation support ranges from 3 to 12 months during which time they should graduate and leave the incubation facility with the intention of establishing their enterprise in the Eco-industrial Park. During the virtual phase, the SBI team of Incubator Specialists will continue to support these enterprises for 24 months to ensure sustainability.

**Figure 1: Business Incubator Operating Model**



The SBI consists of a team of Incubation Specialists which will guide each Incubatee during, the start-up and commercialisation of their enterprise. The team also provide or facilitate the following services to the SMMEs:

- Funding solutions
- Coaching and mentoring
- Access to expert networks
- Monthly engagement sessions and workshops
- Offices and infrastructure

Depending on the development requirements of the enterprise in the incubation program, development funding may be provided to assist the enterprise in the start-up process. This could amongst others include, but is not limited to, development

funding for training, quality management systems, Safety, Health and Environment (SHE) processes, Human Resources (HR) support, branding, corporate identity and marketing. Enterprises also have the advantage of the Siyakha Loan Funding if the business is awarded a contract with Sasol and becomes a Sasol supplier.<sup>6</sup>

### **3.3 Other support programs for SMMEs to take their business to new levels**

#### **3.3.1 Business Day TV SME Summit**

The aim of the annual summit, of which Sasol is a corporate sponsor, is to expose SMMEs to smart tools and strategies that enterprises can adopt to realise measureable returns on investment. Enterprises also receives expert advice and practical insights from leaders in various fields.

Initiatives such as these shows the pivotal role that Sasol play in the development and sustainability of new and existing businesses and industries. It furthermore underlines Sasol's adopted targeted multi-pronged approach to supporting existing and potential SMME suppliers, which comprises financial and non-financial solutions.

#### **3.3.2 Annual Proudly SA Buy Local Summit and Expo**

Sasol as a sponsor of the (6<sup>th</sup>) Annual Proudly SA Buy Local Summit and Expo use this platform to showcase and create networking opportunities for some of its SMME support recipients. This proudly South African company has for more than 65 years played an important role in industrialisation growth and socio-economic development of South Africa. Sasol's locally-produced products have and continue to play an important role in the birth of new industries and the growth of established ones, creating jobs and contributing to social and economic development.<sup>7</sup>

## **4. CONCLUSION**

It is clear in view of the above that Sasol is committed to industrial development in South Africa, as well as in the Free State province. The recent multi-billion Fischer-Tropsch Wax Expansion Project investment in Sasolburg demonstrates Sasol's success and potential to enhance community development by their contribution to the growth and development of thriving local economies within and outside the country.

Furthermore, it is evident that this global giant in industrial development has created the necessary infrastructure to support, develop and grow local emerging industrialists. It is now essential for all economic practitioners and role-players to examine, to own and to take-up these type of mechanisms available for radically transforming the SMEs landscape.

---

<sup>6</sup> <http://www.sasol.co.za/sustainability/enterprise-and-supplier-development>

<sup>7</sup> <http://www.sasol.co.za/media-centre/media-releases/sasol-supports-smmes-take-their-business-new-levels>